FISCAL NOTE

SB 109 – HB 723

February 19, 2007

SUMMARY OF BILL: Requires all state agencies, universities, and community colleges to develop and implement plans that have a goal of reducing or displacing the use of petroleum products in its motor vehicle fleet by at least twenty percent. Reductions may be met by displacing the use of petroleum or oils through the use of biodiesel, ethanol, synthetic oils or lubricants, or other alternative fuels; the use of hybrid electric vehicles or other fuel-efficient or low-emission vehicles; or additional methods that reduce harmful emissions as may be approved by the Department of General Services.

ESTIMATED FISCAL IMPACT:

Increase State Expenditures – Net Impact – Exceeds $100,000

Assumptions:

- A not significant increase in state expenditures to develop plans.
- There are several methods and combination of methods that state agencies, universities, and community colleges may implement.
- There will be an increase in state expenditures to use ethanol (E85) instead of gasoline. The cost per gallon to the state is $1.70 for E85 vs. $1.63 for regular unleaded gasoline. In addition, a vehicle's miles per gallon average (MPG) achieved with E85 is approximately 85% of that achieved with regular unleaded gasoline, resulting in the purchase of more gallons.
- There will be a net increase in state expenditures to use biodiesel (B20) instead of diesel fuel. While the cost per gallon is cheaper ($2.49 for B20 vs. $2.59 for diesel fuel) a vehicle's MPG achieved with B20 is approximately 90% of that achieved with diesel fuel, resulting in the purchase of more gallons.
- The will be a net increase in state expenditures to use synthetic oil. The price of synthetic oil is approximately $4.55 per quart vs. $1.99 per quart for regular motor oil. However, because synthetic oil is designed to be changed at less frequent intervals, state vehicles will need approximately half as many oil and oil filter changes as are currently needed, thus reducing costs.

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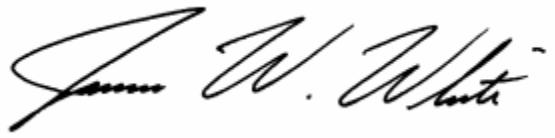
- There will be an increase in state expenditures to purchase hybrid electric vehicles. The average cost of a gasoline powered passenger vehicle to the State of Tennessee is $14,349 vs. $21,000 for a Toyota Prius. The resulting savings in gasoline over the life of the vehicle do not offset the initial increase in costs.
- Any increases or decreases in state expenditures are dependant upon which method or methods are chosen. Since there is no way to know how each agency will choose to implement its reduction plan, the actual fiscal impact of this bill is not quantifiable but can be reasonably estimated to exceed $100,000 in state expenditures.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James W. White, Executive Director